



Derby Performance Venue – Progressing the Project to the Next Stage

SUMMARY

- 1.1 The development of a new Performance Venue is the key priority for Derby's City Centre Masterplan 2030. It is seen as being the focal point for city centre regeneration, a catalyst for further investment and a key development in terms of supplementing the cultural offer in the city and the visitor economy. In addition, one of the Council's key pledges announced in June 2017 is that *"The Council will invest in Assembly Rooms / Debenhams / Duckworth Square sites to increase city centre footfall by 10% by 2025."*
- 1.2 Feasibility work has been undertaken to explore the most affordable and deliverable option for a new venue on the site of the Assembly Rooms and to prepare an Outline Business Case for the project. The potential for replacing the existing Assembly Rooms car park with a larger and more user friendly car park formed part of the feasibility work and is a key part of the emerging business case for the project.
- 1.3 All of the options explored, to a greater or lesser extent, are currently projecting a shortfall in capital funding towards the construction costs, with some requiring an ongoing revenue operating subsidy.
- 1.4 At this stage it is considered that the only option with the potential to be affordable, in both capital and revenue terms, is the Music and Performance Venue (outlined in paragraph 4.14). Early work exploring the economic benefits of this option indicates that it would help generate approximately 395 gross full-time equivalent jobs on and off-site and contribute £9.6million of Gross Value Added per annum.
- 1.5 This report seeks approval to carry out further project development works (outlined in paragraph 4.12) to assess the costs and risks involved. At the same time, officers are seeking additional external funding to support the project.

RECOMMENDATION

- 2.1 To approve the Music and Performance Venue as the current preferred option for a new venue on the Assembly Rooms site.
- 2.2 To delegate approval to the Strategic Director of Communities and Place, following consultation with the Cabinet Member for Regeneration and Economy and the Cabinet Member for Cabinet Member for Leisure, Culture and Tourism, to agree the strategy for seeking tenders for operators of the venue, taking into account the

Council's emerging overarching strategy for delivery of leisure and culture in the city.

- 2.3 To delegate approval to the Strategic Director of Communities and Place, following consultation with the Cabinet Member for Regeneration and Economy and the Cabinet Member for Cabinet Member for Leisure, Culture and Tourism, to undertake the following work:
- Taking into account the outcome of 2.2 above, seek tenders for operators of a new Music and Performance venue;
 - Develop an outline design for the new venue and associated car park; and
 - Explore additional funding opportunities from external public and private sources for the project.
- 2.4 To approve the use of £475,000 to deliver this work from the Assembly Rooms insurance monies that form part of the Derby City Council reserves.
- 2.5 To note that officers will bring a further report to Cabinet following completion of the above work, including an outline of the project's financial implications.

REASONS FOR RECOMMENDATION

- 3.1 To support the delivery of the City Centre Masterplan 2030 objectives.
- 3.2 To facilitate the delivery of a new Performance Venue on the site of the Assembly Rooms.



SUPPORTING INFORMATION

Background

- 4.1 The development of a new Performance Venue is the key priority for Derby's City Centre Masterplan 2030. It is seen as being the focal point for city centre regeneration, a catalyst for further investment and a key development in terms of supplementing the cultural offer in the city and the visitor economy.
- 4.2 In December 2015, Cabinet approved the commissioning of a demand led assessment into what types of Performance Venue would be appropriate in relation to viability and feasibility on the Becketwell area, the Assembly Rooms site or any other suitable site identified during the study. The Council commissioned a consultant team to undertake the bulk of this work, led by Cushman and Wakefield, its strategic property advisor, along with their sub-consultants IPW (venue specialists), HOK (architects) and Core 5 (cost consultants).
- 4.3 The key conclusion from the work undertaken by the Consultant team was that *"there is both a desire and the market for a new performance venue in Derby"* and that *"any new venue will be significant and important at a local and regional level."* The work also concluded that the Assembly Rooms site offered the better opportunity (in comparison to the Becketwell site) for a new Performance Venue.
- 4.4 In summary, the main options for a new venue that were tested through this work were:
- **Refurbishment of the existing Assembly Rooms:** The potential for refurbishing the Assembly Rooms and reopening the venue was explored.
 - **Music and Performance Venue:** Circa 3,000 capacity efficient and flexible venue with a commercially driven programme focussing on live music and comedy events and a separate 400 capacity space. No theatre facilities.
 - **Lyric Theatre:** A 1,500 all-seated Lyric Theatre (incorporating a fly tower) with a separate 400 capacity flexible space to accommodate smaller secondary events.
 - **Hybrid Venue:** Flexible venue with either a circa 2,600 music/entertainment venue or a 1,600 lyric style theatre supported by a separate 400 capacity space.
 - **The Portal:** An outdoor portal on the Assembly Rooms and Market Place site prior to and in addition to the development of a new Performance Venue capable of hosting large performances for a capacity of up to 5,000 spectators.

- 4.5 The work relating to refurbishing the Assembly Rooms concluded that this would not offer the flexible/scalable spaces that could be provided through a new build due to the restrictions of the existing building structure, which could in turn impact on the long term sustainability of the venue. The work also found that the options for refurbishment would require an ongoing subsidy once operational. In summary, refurbishment of the Assembly Rooms was found to be financially unsustainable and unlikely to be attractive to entertainment operators as a concert venue.
- 4.6 Of the new build options, the Music and Performance Venue is considered to be the only potentially affordable option. Whilst it does not offer the potential to host as broad a programme of cultural events as the Lyric Theatre option or the Hybrid option, the Music and Performance Venue option is the only potentially affordable option in both capital and revenue terms.
- 4.7 An indicative economic assessment has been prepared for the Music and Performance Venue, which indicates the likely benefits that it could bring to the city. These are:
- Approximately 395 gross full-time equivalent jobs on and off-site.
 - Approximately £9.6million of Gross Value Added per annum.
- 4.8 In exploring the potential options for a new venue, an opportunity has been established to replace the existing Assembly Rooms car park (214 spaces) with a new larger and more user friendly car park to provide increased capacity (and associated revenue).
- 4.9 Further details on the feasibility work undertaken to date are set out in Appendix 2.

Operating the new venue

- 4.10 Consideration was given to the proposed operating model for the new venue through the feasibility work. One of the key drivers of the project established early in the process was the need for the venue to be commercially driven, and not require an ongoing revenue subsidy from the Council. To meet this objective, the consultant team advised the Council that the most appropriate operating model was to appoint an operator to run the venue to transfer operating and building maintenance risks. Therefore, the operational business models explored through the feasibility work were prepared based on the venue being leased to and run by an operator, with income being generated for the Council through the rental payments from the operator.
- 4.11 To test the outcomes from the feasibility work further, the next stage of work is to commence a procurement process for an operator. This will enable the Council to refine the Outline Business Case to assess the deliverability and financial robustness of the venue.

Progressing the project to the next stage

- 4.12 Given the existing pressures on the Council's finances, it is proposed to carry out

the following project development:

- Commence a procurement exercise for an operator of a Music and Performance Venue;
- Develop an outline design for the new venue and associated car park; and
- Explore additional funding opportunities from external public and private sources for the project.

4.13 It is estimated that a project development budget of £475,000 is required to deliver the work outlined above. Following completion of the work outlined above, a further report will be brought to Cabinet. An indication of the key project phases is provided in Appendix 3.

4.14 The indicative requirements for the Music and Performance Venue are set out below.

- Demolition of the existing Assembly Rooms and associated car park.
- Provision of a new Music and Performance Venue including:
 - 3,000 capacity (mix of seating and standing) auditorium capable of holding a range of events including music concerts, sports events, comedy events, theatrical performances (that do not require a fly tower orchestra pit and such bespoke theatre facilities), conferences and exhibitions.
 - A separate smaller events space with a maximum capacity of 400.
 - A new large multi-storey carpark integrated into the new venue.
 - A venue that contributes towards animating the existing Market Place and provides retail and/or leisure units facing the Market Place.

Project funding

4.15 £8.6million of grant funding has been allocated to the Performance Venue project from the Local Growth Fund Round 3, which is administered by D2N2 (the Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire). Early discussions with D2N2 have established the potential to secure pre-compliance funding of up to £2.5million to fund project development costs. In order to secure this, D2N2 require submission of an Outline Business Case. Following completion of a Full Business Case, the pre compliance funding will be converted to grant as long as the project progresses to the full scheme. If the project does not progress, the pre compliance funding will need to be repaid. A decision was made by Cabinet on 6th September 2017 to delegate the final submission of Outline and Full Business Cases for the LGF3 funding to the Strategic Director of Communities and Place, following consultation with the Cabinet Member for Regeneration and Economy and/or the Cabinet Member for Urban Renewal, as appropriate, and the Director of Governance and Director of

Finance.

- 4.16 In undertaking the work outlined in this report, officers will continue to explore additional funding opportunities from public and private sources to support delivery of this project.

Key Risk

- 4.17 The key risk relating to delivery of the next stage of work is that the project is not deliverable and the development costs incurred to date and going forward would need to be met in full by the Council.

OTHER OPTIONS CONSIDERED

5.1 The other options considered to date are:

- *Options for a new Performance Venue* (see paragraph 4.4 and Appendix 2).
- *Do nothing* - The fire damage caused to the Assembly Rooms in March 2014 has left the building redundant and the building has not been used for over three years. Doing nothing is not an option or the building will remain redundant.
- *Pause the project pending additional funding availability* – If the Council did wish to pursue either the Lyric Theatre or Hybrid Venue options (the more expensive options), then Cabinet could choose to pause any further work on the project until significant additional capital funding has been sourced. There are no significant current funding opportunities available to bid for, beyond the Local Growth Fund already secured.
- *Non-Performance Venue: Retail and Leisure Development Option* – The Council could look to redevelop the Assembly Rooms site for alternative development. The current proposal is to pursue the redevelopment of the Assembly Rooms site for a new Performance Venue. So this option is not currently being pursued.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Liz Moore, Head of HR John Sadler, Strategic Asset Manager Greg Jennings, Acting Director of Regeneration, Property & Housing Ann Webster, Lead on Equality and Diversity
For more information contact: Background papers: List of appendices:	Sam Rosillo, Regeneration Manager, 01332 641738, samuel.rosillo@derby.gov.uk Appendix 1: Implications Appendix 2: Overview of feasibility work Appendix 3: Indicative project phases

Appendix 1

IMPLICATIONS

Financial and Value for Money

- 1.1 Feasibility work has been undertaken in order to explore the most affordable and deliverable option for a new venue on the site of the Assembly Rooms at a revenue cost to date of £380,000.
- 1.2 The cost of the next phase of the project is estimated to be £475,000, which is proposed to be funded from the Assembly Rooms insurance monies that form part of the Derby City Council reserves.

Legal

- 2.1 No specific legal implications arising from this report. Legal Services will provide advice and support in relation to procurement procedures and contractual terms for appointment of key contractors and the operator. In addition, ongoing support and advice is provided in relation to compliance with funding conditions and to ensure overall project governance in terms of decision making processes and State Aid.

Personnel

- 3.1 None arising as a result of this report. Personnel implications may need to be considered further depending on the outcome of work outlined in this report, particularly around the proposed operating arrangement for the Music and Performance Venue.

IT

- 4.1 There are no IT implications arising directly from this report.

Equalities Impact

- 5.1 The detailed designs for the proposed new Music and Performance Venue will need to comply with the Equality Act requirements and Building Regulations. The Derby Diversity Forum will be engaged at key points throughout the design process and equality impact assessments will be conducted for the procurement exercise for an operator and as the scheme is developed to address and promote equality initiatives in the design for all communities. An equality impact assessment will also be required for redevelopment of the car park (as many disabled people use it) in order to explore alternative parking provision during the construction phase.
- 5.2 It will be essential to appoint an access consultant to work alongside the appointed design team and the Forum.

Health and Safety

- 6.1 There are no Health and Safety implications arising directly from this report. Health and safety input will be required as the project develops. In appointing consultants to

undertake survey and design work where access to the site is required, there will be a requirement for them to have relevant safe to work plans in place that comply with the Council's procedures and have been agreed prior to any site visits taking place.

Environmental Sustainability

- 7.1 None arising directly from this report.

Property and Asset Management

- 8.1 Strategic Asset Management and Estates has been and will continue to be part of the multi-disciplinary team involved throughout the project.
- 8.2 The business case for the Music and Performance Venue will need to incorporate sufficient provision to meet the cost of day to day maintenance of the facility, as the revenue budget associated with the maintenance of the current Assembly Rooms is captured by the Property Rationalisation programme.

Risk Management and Safeguarding

- 9.1 A project management team has been set up to effectively manage this scheme. A risk register will be subject to ongoing review, which will be continually monitored and reviewed at project team meetings. The key risk relating to delivery of future work outlined within this report is outlined above in section 4.

Corporate objectives and priorities for change

- 10.1 The project addresses a key priority within the City Centre Masterplan 2030.
- 10.2 In June 2017, the Council launched a series of key pledges, including that "*The Council will invest in Assembly Rooms / Debenhams / Duckworth Square sites to increase city centre footfall by 10% by 2025.*" A measure for this pledge will be to develop a detailed design for the new venue on the Assembly Rooms site and ask the public for their views during Summer 2018.

OVERVIEW OF FEASIBILITY WORK

The criteria for a new Performance Venue

- 1.1 A set of criteria for a new Performance Venue in the city centre have been established based around the following:
- be capable of fitting on the existing Assembly Rooms site;
 - have maximum cultural impact on the city;
 - maximise the regeneration and economic impact on the city (including the night time economy); and
 - ensure there is no requirement for an ongoing revenue subsidy from the City Council and be affordable without recourse to Council unsupported borrowing.

Initial feasibility work

- 1.2 In December 2015, the Council commissioned Cushman and Wakefield, its strategic property advisor, along with their sub-consultants IPW (venue specialist), HOK (architects) and Core 5 (cost consultants) (referred to as the consultant team in the remainder of this Appendix) to explore the potential for a new Performance Venue in Derby. The study was undertaken in two parts. The scope of Part 1 of the study was to assess the feasibility of a new Performance Venue (based on various different funding assumptions) and to provide a commercial view on the appropriateness of the Assembly Rooms and Becketwell sites as locations for the venue. The key findings from Part 1 were that a Performance Venue is deliverable in Derby and that the Assembly Rooms site offered the better opportunity (in comparison to the Becketwell site) for a new Performance Venue.
- 1.3 Following market research, stakeholder engagement, and utilising specialist knowledge and experience, three options were tested during Part 1 of the consultant team's feasibility study, which were as follows:
- **Option A – Music and Performance Venue:** Circa 3,000 capacity efficient and flexible venue with a commercially driven programme focussing on live music and comedy events and a separate 400 capacity space. No theatre facilities.
 - **Option B – Hybrid Venue:** Flexible venue with either a circa 2,600 music/entertainment venue or a 1,600 lyric style theatre supported by a separate 400 capacity space.
 - **Option C – Performing Arts Venue:** Enhanced option B with an additional 800 capacity theatre. This option was ultimately disregarded as the competition with the current Derby Theatre would not be attractive in market terms.
- 1.4 Part 2 of the study explored options A and B in more detail through preparing outline layouts, capital cost estimates and detailed business plans for each. Initial

consultation was undertaken with potential operators of the Performance Venue in order to establish their interest in the project. The key findings from Phase 2 were that:

- Both options broadly meet the Council's criteria for delivery of a new Performance Venue. However, there are various strengths and weaknesses of each.
- Option A is the more affordable of the two options (£32million), and would enable a programme to be delivered that maximises income generation and is commercially driven. This option is likely to generate a higher level of revenue in comparison to Option B. However, this option presents cultural compromises as the delivery of arts and theatrical content will be limited due to the nature of the design.
- Option B represents a less affordable option (£59million) and is more likely to require a revenue subsidy (the sensitivity analysis identified a 10% negative shift in the programme would result in an overall annual deficit). However, this option optimises the potential arts and theatrical programme through a hybrid design that enables the venue to cater for a variety of arts, theatre, music, entertainment and conferencing events.

Refurbishment of the Assembly Rooms building

- 1.5 As part of the feasibility work, the potential for refurbishing the Assembly Rooms and reopening the venue was explored. A detailed assessment was undertaken of the existing venue, its design and layout, access and egress, services, structural state, restrictions and opportunities. In addition, an analysis of the existing venue from an operational perspective, including consultation with Derby LIVE and analysis of historic performance data were undertaken. This work was used to explore potential options for refurbishment of the Assembly Rooms in order to bring it back into use as a Performance Venue.
- 1.6 The outcome from this work was that refurbishment of the Assembly Rooms could not compete with the new-build options. The options for refurbishment would not offer the flexible/scalable spaces that could be provided through a new build due to the restrictions of the existing building structure, which could in turn impact on the long term sustainability of the venue. The work also found that the options for refurbishment would require an ongoing subsidy once operational. In summary, refurbishment of the Assembly Rooms was found to be financially unsustainable and unlikely to be attractive to entertainment operators as a concert venue.

The Portal

- 1.7 A further option explored in addition to those for a new Performance Venue was for the development of an outdoor portal on the Assembly Rooms and Market Place site prior to and in addition to the development of a new Performance Venue. The portal would incorporate a retractable canopy that would cover the entire Market Place, capable of hosting large performances for a capacity of up to 5,000 spectators. It would also come with built-in sound, lighting, electricity, stage and storage area for seating and other equipment.
- 1.8 In order to explore this option in full, further technical and financial due diligence was undertaken. This indicated that the portal could potentially make a small

surplus once operational, but the revenue generated would be unlikely to attract operator interest. The capital costs associated with pursuing the portal option in addition to developing a new Performance Venue in the long term were also not considered to be affordable based on the level of funding available for the project.

The Lyric Theatre Option

- 1.9 Following completion of the above work by Cushman & Wakefield, an additional option was explored for a Lyric Theatre based on the conclusions of research previously commissioned by Derby LIVE that established a demand for this type of venue.
- 1.10 This option comprised a 1,500 all-seated Lyric Theatre (incorporating a fly tower) with a separate 400 capacity flexible space to accommodate smaller secondary events. The design of the building will enable delivery of a broad programme of cultural events which is likely to appeal to a wider demographic throughout the city and complement the existing offer that is currently provided in other venues.
- 1.11 In considering this option, work has been undertaken to prepare a financial business plan, indicative architectural layouts and a capital cost estimate. The broad cost that has been established for pursuing this option is around £48million. At this stage no significant additional capital funding sources are available to bid for to meet the capital costs.

Assembly Rooms Car Park

- 1.12 In exploring the potential options for a new venue, an opportunity has been established to replace the existing Assembly Rooms car park (214 spaces) with a new larger and more user friendly car park to provide increased capacity (and associated revenue). The delivery of a new car park would secure increased revenue once operational. A larger car park would also provide additional car parking provision for users of the new venue and to people visiting the city centre.
- 1.13 It is estimated that the cost of replacing the Assembly Rooms car park will be around £10million (based on a 450 space car park), which would be in addition to the cost of constructing a new venue. A key early task in undertaking further design work will be to establish the deliverability of a larger car park given the constraints of the site (i.e. the overall site footprint and the site location within the Derby City Centre Conservation Area).

Consideration of the options

- 1.14 In undertaking the feasibility work, the options have been considered against the overall criteria for a new Performance Venue in Derby. Discussions between lead Officers and Members concluded two main options. The first option was the Music and Performance Venue (option A above), which was identified as the preferred option from the consultant team's work. The second option was for the Lyric Theatre, which was developed following further consideration of the feasibility work undertaken by the Council's consultant team.
- 1.15 Both options would increase the number of cultural events that take place within Derby City Centre with the opening of a new venue on a key city centre site. Research has established a demand for a Lyric Theatre in Derby and this option

would enable a more culturally diverse programme that would complement the existing offer in the city. Arguably, a Lyric Theatre would also appeal to and attract a wider demographic to visit Derby given the diversity of the potential programme.

- 1.16 Derby Arena (opened in March 2015) has been designed to be a multi-purpose venue with the ability to host rock/pop, comedy, concerts, exhibitions and conferences ranging from 3,500 to 5,000 capacity. The closure of the Assembly Rooms has enabled the Derby Arena to secure the Pantomime and Graduation Events. The development of a new venue in the city centre (through both options) will influence the programme of events at the Arena. Therefore officers will continue to explore how the business model for the Arena and the new venue can be developed alongside each other.
- 1.17 Both options would make use of a currently redundant site following closure of the Assembly Rooms in March 2014. Both options would bring the key city centre site back into use and deliver the main focus of the Derby City Centre Masterplan 2030. Further work will be required on the design and layout in order to ensure that it will enhance and interconnect with the Market Place, the Guildhall Theatre and Market Hall, and the city centre as a whole. Consideration will also need to be given to the setting of the site given its location within the Derby City Centre Conservation Area.
- 1.18 The current level of funding available for the project is £8.6million of LGF3 funds. Further funding would be required to part finance the capital build costs for both options, with a higher level required for the Lyric Theatre option.
- 1.19 In summary, both options would lead to the regeneration of a key city centre site. The Lyric Theatre option would enable the delivery of a culturally diverse programme of events within Derby but is the more expensive of the two options. Whilst the Music and Performance Venue option does not offer the potential to host as broad a programme of cultural events as the Lyric Theatre option, it is considered to be the only potentially affordable option in both capital and revenue terms.

INDICATIVE PROJECT PHASES

